

November 30, 2011

Chairman Knollenberg and Members of the House Banking and Financial Services Committee,

Thank you for the opportunity to testify today on behalf of the Michigan Credit Union League & Affiliates in regard to the changes proposed to the state's current 90 day foreclosure delay law. We have greatly appreciated the opportunity to offer suggested reforms to the law and pending legislation and are happy to see many of these concerns addressed in the most recent versions as presented to the Committee today. We support the bills, House Bills 4542-44 as proposed.

We are pleased to see the bills provide that every notice of foreclosure by advertisement must now include language stating that if the property is sold at a foreclosure sale, the borrower will be held responsible to the person who buys the property or to the mortgage holder, for damaging the property during the redemption period. Many members of this Committee have heard testimony from lenders giving examples of unfortunate situations when a borrower must be foreclosed upon, only to have that borrower then take out that anger on the property which only serves to hurt the potential for the house to be purchased in the future and the neighborhood to be revitalized. Even if this language will act as a deterrent for a few borrowers from destroying their home, it will be successful.

The current 90 day delay law states that a borrower shall give the mortgage holder/servicer/agent a copy of any documents requested that are necessary to determine whether a borrower is eligible for modification under the law. However, new language in the bills state that within 10 days of being contacted by a borrower, a mortgage holder/servicer may request documents from the borrower necessary to determine if the borrower is eligible for a modification. The borrower must provide those documents within 60 days after the initial notice was first mailed to them, otherwise the mortgage holder/servicer may proceed with foreclosure. This will allow lenders to continue to focus on helping those borrowers that are truly working towards a possible modification, but allow the process to go forward with those individuals who aren't interested in staying in their home.

The bills also continue to make it clear that housing counselors won't have to be involved in the process if a borrower and mortgage holder/servicer can meet directly. We have always advocated that community lenders such as credit unions would be more likely to talk with their borrowers directly and therefore wouldn't likely need the housing counselors in most cases. Currently, most credit unions are already working with troubled borrowers to keep them in their homes and avoid foreclosure therefore these changes to the bills mean credit unions and their members may continue to conduct business as usual.

We also support the alignment of the redemption period for properties larger than three acres going from one year down to six months, so long as the property is not deemed to be for agricultural use. Properties less than three acres also have a six month redemption period.

The one outstanding issue we are encouraging the Committee to consider is support of House Bill 5176 which would shorten the redemption period for loans held in portfolio by 90 days. This will help small lenders like community banks and credit unions offset the additional 90 days that are provided for on the front end of the process. Approximately 75-80% of all mortgage loans are held on the books of Michigan credit unions and these lenders already have a significant motivation to work with borrowers to do loan modifications wherever possible. We would ask the committee to consider an amendment to strike the language "and has not transferred the power to service the mortgage" from lines 17-18 on page 6. Many lenders, especially those smaller in size, outsource the servicing of their mortgages while keeping the loans in portfolio. If this language is not removed,

many community lenders will not qualify for the reduced redemption period even though they haven't sold the mortgage off and are holding the loan in portfolio.

Again, the MCUL & Affiliates has appreciated the opportunity to work on this legislation and we are happy to support these bills and continue to work towards the laudable goal of keeping people in their homes.

Sincerely,

A handwritten signature in black ink that reads "Marcia Hune". The script is cursive and fluid, with the first name "Marcia" written in a larger, more prominent hand than the last name "Hune".

Marcia Hune
Vice President of Governmental Affairs
Michigan Credit Union League & Affiliates